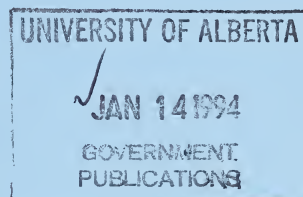


CA2  
MA  
F  
P71  
1992-93  
v. 3

DO/NE

public  
accounts  
1992-93

volume 3 — summary  
financial  
statements



---

Manitoba  
Finance



---

for the year ended March 31, 1993

BARD  
GOV  
DOC  
CA2  
MA F P91  
1992/  
1993:v.3



EX LIBRIS  
UNIVERSITATIS  
ALBERTENSIS

---

## **INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA**

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 1993 consists of three volumes:


**VOLUME 1** contains the Consolidated Fund financial statements of the Province, comprised of the Operating Fund and the Trust Fund Financial Statements and schedules of supporting information.

**VOLUME 2** is a supplementary volume which contains further details of the expenditures of the Consolidated Fund by standard expenditure object codes. It also provides details of the salaries and wages paid to employees as well as payments to corporations, firms, individuals, other Governments and Government Agencies.

**VOLUME 3** contains the Summary Financial Statements of the Province. These statements reflect the consolidation of the financial operations of all organizations integral to the overall operations of Government in performing its executive function.



TABLE OF CONTENTS	PAGE
STATEMENT OF RESPONSIBILITY .....	1
AUDITOR'S REPORT .....	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	5
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE .....	6
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION .....	7
SCHEDULES TO THE SUMMARY FINANCIAL STATEMENTS	
SCHEDULE I - FUNDS, ORGANIZATIONS AND ENTERPRISES COMPRISING THE GOVERNMENT REPORTING ENTITY .....	8
SCHEDULE II - CONSOLIDATED AMOUNTS RECEIVABLE .....	10
SCHEDULE III - CONSOLIDATED LOANS AND ADVANCES .....	11
SCHEDULE IV - GOVERNMENT ENTERPRISES SUMMARY .....	12
SCHEDULE V - CONSOLIDATED OTHER LONG-TERM INVESTMENTS .....	13
SCHEDULE VI - CONSOLIDATED ACCOUNTS PAYABLE, ACCRUED CHARGES, DEFERRED REVENUE AND DEFERRED TAXES .....	14
SCHEDULE VII - CONSOLIDATED BORROWINGS .....	15
NOTES TO THE SUMMARY FINANCIAL STATEMENTS .....	16



Digitized by the Internet Archive  
in 2017 with funding from  
University of Alberta Libraries

[https://archive.org/details/publicaccounts03mani\\_4](https://archive.org/details/publicaccounts03mani_4)

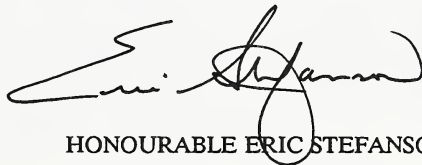
**GOVERNMENT OF THE PROVINCE OF MANITOBA****STATEMENT OF RESPONSIBILITY**

The Summary Financial Statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government Reporting Entity and include a consolidated statement of financial position, a consolidated statement of revenue and expenditure, a consolidated statement of changes in financial position, schedules and notes integral to the statements. Together, they present fairly, in all material respects, the financial condition of the Government Reporting Entity at the fiscal period end and results of operations for the year then ended.

The Government is responsible for the integrity and objectivity of the Summary Financial Statements. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. The Government believes such estimates have been based on careful judgements and have been properly reflected in the Summary Financial Statements.

The Summary Financial Statements are tabled in the Legislature. They are referred to the Standing Committee on Public Accounts, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the Summary Financial Statements and accompanying audit opinion.

On behalf of the Government

A handwritten signature in black ink, appearing to read 'Eric Stefanson', is written over a faint, larger signature that is partially obscured.

HONOURABLE ERIC STEFANSON

Minister of Finance

December, 1993







**Office of  
the Provincial Auditor**

12th Floor - 405 Broadway  
Winnipeg, Manitoba, CANADA  
R3C 3L6

## **AUDITOR'S REPORT**

### **To the Legislative Assembly of Manitoba**

In accordance with section 14 of The Provincial Auditor's Act, we have audited the consolidated statement of financial position of the Government of the Province of Manitoba as at March 31, 1993 and the consolidated statements of revenue and expenditure and changes in financial position for the year then ended. These summary financial statements are the responsibility of management of the Government of the Province of Manitoba. Our responsibility is to express an opinion on these summary financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In accordance with the accounting policy stated in note 1C2d to the summary financial statements, the Government does not fully record its pension liabilities and the costs associated with the annual increase in the pension liabilities for pension entitlements earned by its employees, contributors to the Teachers' Retirement Allowances Fund and Members of the Legislative Assembly in its summary financial statements. Similarly, in accordance with note 1C2c, no liability or expenditure is recorded for salary related benefits. These accounting policies are consistent with those of prior years, however, they do not result in fair presentation.

Note 12 to the summary financial statements advises that the unrecorded actuarial pension liabilities are estimated to be \$1,646 million as at March 31, 1993. Salary related benefits for unrecorded vacation pay liabilities approximate \$51 million as at March 31, 1993. Had the Government recorded the pension liabilities, liabilities for vacation pay and the costs associated with the annual increase in the pension and vacation pay liabilities in its summary financial statements, expenditure and the consolidated net expenditure would be increased by an estimated \$150 million for the year ended March 31, 1993. Also, liabilities and the total excess of liabilities over assets and similar items (accumulated deficit) would be increased by an estimated \$1,697 million as at March 31, 1993.

In our opinion, except for the failure to record pensions and salary related benefits for vacation pay as described in the preceding paragraphs, these summary financial statements present fairly, in all material respects, the consolidated financial position of the Government of the Province of Manitoba as at March 31, 1993 and the consolidated results of its operations and changes in its financial position for the year then ended in accordance with the accounting policies stated in note 1 to the summary financial statements.

As required by section 14 of the Provincial Auditor's Act, we report that, in our opinion, the stated accounting policies have been applied, except for the change in recognizing certain liabilities on an accrual basis as explained in note 14 to the summary financial statements, on a basis consistent with that of the preceding year.

Carol Bellringer, CA  
Provincial Auditor

Winnipeg, Manitoba  
December 10, 1993



**GOVERNMENT OF THE PROVINCE OF MANITOBA  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 1993  
(with comparative figures for 1992)**

SCHEDULE		NOTE	(\$ millions)	
			1993	1992
	<b>ASSETS</b>			
	Cash and equivalents.....		746	799
II	Amounts receivable.....		354	298
III	Loans and advances.....		5,482	5,575
IV	Equity in Government enterprises.....	3	390	407
V	Other long-term investments.....		21	22
	<b>TOTAL ASSETS</b>		<u>6,993</u>	<u>7,101</u>
	<b>LIABILITIES</b>			
	Amount owing to the Trust Fund.....	4	620	1,295
VI	Accounts payable, accrued charges, deferred revenue and deferred taxes.....		1,118	899
VII	Borrowings.....	5	11,411	10,152
	Provision for foreign currency fluctuation on Manitoba Hydro debt.....		-	1
	Unamortized foreign currency fluctuation.....	6	(177)	(46)
	<b>TOTAL LIABILITIES</b>		<u>12,972</u>	<u>12,301</u>
	<b>EXCESS OF LIABILITIES OVER ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE</b>			
	Excess of liabilities over assets:			
	Balance, beginning of year (as previously reported).....		5,562	5,194
	Prior year adjustment.....	17	(452)	(454)
	Balance, beginning of year (as restated).....		5,110	4,740
	Adjustment resulting from a federal change in methodology for estimating population for 1991-92 fiscal year.....		100	-
	Prior years' adjustment related to accounting policy changes.....	14	22	163
	Consolidated net expenditure.....	7	669	207
	End of year		5,901	5,110
	Serial debentures of school divisions and districts.....	8	78	90
	<b>TOTAL EXCESS OF LIABILITIES OVER ASSETS AND SIMILAR ITEMS</b>		<u>5,979</u>	<u>5,200</u>

Information concerning the Government's guaranteed and indirect liabilities, financial commitments, contingencies and pension liability can be found in Notes 9, 10, 11 and 12.

Trust Fund assets and liabilities at March 31, 1993 were \$1,427 million (1992 - \$2,133 million). Further details are displayed in Note 4.

**GOVERNMENT OF THE PROVINCE OF MANITOBA**  
**CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE**  
**FOR THE YEAR ENDED MARCH 31, 1993**  
(with comparative figures for 1992)

	(\$ millions)	
	1993	1992
<b>REVENUE</b>		
Taxation revenue:		
Corporation income tax.....	144	105
Individual income tax.....	1,090	1,218
Retail sales tax.....	576	566
Fuel taxes.....	203	204
Liquor Control Commission.....	140	141
Levy for health and education.....	193	189
Other taxes.....	322	328
Federal transfers:		
Equalization.....	868	1,046
Fiscal stabilization claim (Note 15).....	30	-
Health and higher education cash transfer.....	506	442
Shared cost and other.....	353	341
Fees and other revenue.....	655	525
<b>TOTAL BEFORE EXTRAORDINARY REVENUE</b>	<b>5,080</b>	<b>5,105</b>
Extraordinary revenue:		
Manitoba Hydro foreign exchange.....	-	84
Manitoba Public Insurance Corporation reinsurance losses - cancellation of liability.....	-	32
<b>TOTAL REVENUE</b>	<b>5,080</b>	<b>5,221</b>
<b>EXPENDITURE</b>		
Health.....	1,868	1,793
Education and training.....	1,197	1,160
Family services.....	674	588
Economic and resource development.....	573	601
Assistance to local governments and taxpayers.....	373	384
Justice, administration and other government services.....	545	482
Public debt.....	502	475
<b>TOTAL BEFORE EXTRAORDINARY EXPENDITURE</b>	<b>5,732</b>	<b>5,483</b>
Extraordinary expenditure:		
Canada crop drought assistance.....	-	38
<b>TOTAL EXPENDITURE</b>	<b>5,732</b>	<b>5,521</b>
<b>NET EXPENDITURE</b>	<b>652</b>	<b>300</b>
Decrease (increase) in equity in Government enterprises (Schedule IV).....	17	(93)
<b>CONSOLIDATED NET EXPENDITURE (Note 7)</b>	<b>669</b>	<b>207</b>

**GOVERNMENT OF THE PROVINCE OF MANITOBA**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED MARCH 31, 1993**  
**(with comparative figures for 1992)**

	(\$ millions)	
	1993	1992
Beginning cash and equivalents	<u>799</u>	<u>1,090</u>
Operating transactions:		
Consolidated net expenditure.....	(669)	(207)
Changes in non-cash items included in the consolidated net expenditure:		
Amounts receivable.....	(56)	46
Valuation allowance.....	10	12
Energy Rate Stabilization Act - settlement.....	-	(84)
Change in equity in Government enterprises.....	17	(93)
Accounts payable, accrued charges, deferred revenue and deferred taxes.....	101	141
Amortization of foreign currency fluctuation.....	51	18
Amortization of debt discount.....	12	9
Cash and equivalents required for operations	<u>(534)</u>	<u>(158)</u>
Investing transactions:		
Acquired/made.....	(437)	(1,478)
Redeemed/realized.....	692	323
Cash and equivalents required for investing	<u>255</u>	<u>(1,155)</u>
Financing transactions:		
Debt issued: foreign.....	1,638	1,262
domestic.....	1,004	340
Debt redeemed: foreign.....	(602)	(492)
domestic.....	(897)	(101)
Payment from provision for foreign currency losses.....	(1)	-
Energy Rate Stabilization Act - settlement.....	-	(98)
Change in sinking funds.....	(241)	(326)
	901	585
Change in trust fund.....	(675)	437
Cash and equivalents obtained from financing	<u>226</u>	<u>1,022</u>
Change in cash and equivalents during period	<u>(53)</u>	<u>(291)</u>
Ending cash and equivalents	<u>746</u>	<u>799</u>



## SCHEDULE I

**GOVERNMENT OF THE PROVINCE OF MANITOBA  
FUNDS, ORGANIZATIONS AND ENTERPRISES  
COMPRISING THE GOVERNMENT REPORTING ENTITY**

**CONSOLIDATED FUND:  
OPERATING FUND**

**SPECIAL FUNDS:**

- Fires Prevention Fund
- Fiscal Stabilization Fund
- Holdback Accounts - Builders' Liens and Contractual
- Land Titles Assurance Fund
- Manitoba Law Reform Commission
- Manitoba Lotteries Fund
- Mining Community Reserve
- (N) Quarry Rehabilitation Reserve
- Veterinary Science Scholarship Fund
- Victims Assistance Fund

**CROWN ORGANIZATIONS:**

- Alcoholism Foundation of Manitoba
- A.R.M. Industries Inc.
- Cooperative Loans and Loans Guarantee Board
- Cooperative Promotion Board
- Criminal Injuries Compensation Board
- Crown Corporations Council
- Deer Lodge Centre Inc.
- Economic Innovation and Technology Council
- Horse Racing Commission
- Legal Aid Services Society of Manitoba
- Manitoba Arts Council
- Manitoba Cancer Treatment and Research Foundation
- (N) Manitoba Community Services Council Inc.
- Manitoba Energy Authority
- Manitoba Habitat Heritage Corporation
- Manitoba Health Research Council
- Manitoba Health Services Commission
- Manitoba Milk Prices Review Commission
- Manitoba Properties Inc.
- Manitoba Properties Leasing Inc.
- Manitoba Properties Management Inc.
- Public Schools Finance Board
- Rehabilitation Centre for Children
- (N) Special Operating Agencies Financing Authority
- Universities Grants Commission

**SCHEDULE I**  
(cont'd)**GOVERNMENT ENTERPRISES: (Schedule IV)(Note 3)****Utilities:**

Manitoba Hydro - Electric Board  
Manitoba Telephone System

**Insurance:**

Manitoba Crop Insurance Corporation  
Manitoba Public Insurance Corporation  
Workers Compensation Board

**Finance:**

- \* Board of Administration under the Embalmers and Funeral Directors Act
- \* Centre Culturel Franco-Manitobain
- Liquor Control Commission
- \* Manitoba Boxing and Wrestling Commission
- \* Manitoba Centennial Centre Corporation
- \* Manitoba Hospital Capital Financing Authority
- \* Manitoba Housing and Renewal Corporation
- Manitoba Lotteries Foundation
- Manitoba Text Book Bureau

**Resource Development:**

- A. E. McKenzie Co. Ltd.
- \* Communities Economic Development Fund
- Leaf Rapids Town Properties Ltd.
- \* Manitoba Agricultural Credit Corporation
- \* Manitoba Development Corporation
- \* Manitoba Hazardous Waste Management Corporation
- Manitoba Mineral Resources Ltd.
- Manitoba Trading Corporation
- Manitoba Water Services Board
- Moose Lake Loggers Ltd.
- Venture Manitoba Tours Ltd.

- \* Prior to 1992-93, these Government organizations were included in the Government Reporting Entity as Crown organizations. (Note 17)

- (N) These Crown organizations and a special fund were added to the Government Reporting Entity for the fiscal year ended March 31, 1993. (Note 17)

## SCHEDULE II

**GOVERNMENT OF THE PROVINCE OF MANITOBA  
CONSOLIDATED AMOUNTS RECEIVABLE**

AS AT MARCH 31, 1993  
(with comparative figures for 1992)

	(\$ millions)	
	1993	1992
<b>TAXATION REVENUE:</b>		
Gasoline tax.....	11	12
Motive fuel tax.....	6	6
Retail sales tax.....	47	48
Revenue Act, 1964.....	5	5
Tobacco tax.....	11	11
	<u>80</u>	<u>82</u>
 <b>GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:</b>		
Corporation income tax.....	2	-
Federal fiscal stabilization claim.....	30	-
Municipal corporations.....	58	60
Provinces and territories.....	8	10
Shared cost programs/agreements.....	56	60
	<u>154</u>	<u>130</u>
 <b>INTEREST INCOME:</b>		
Province of Manitoba sinking fund.....	62	53
Other investments.....	19	23
	<u>81</u>	<u>76</u>
 <b>OTHER INCOME:</b>		
Manitoba Development Corporation - dividend income.....	1	1
Manitoba Hydro.....	-	8
Manitoba Lotteries Foundation.....	37	-
Other agencies.....	1	1
	<u>39</u>	<u>10</u>
	<u><u>354</u></u>	<u><u>298</u></u>



## SCHEDULE III

**GOVERNMENT OF THE PROVINCE OF MANITOBA  
CONSOLIDATED LOANS AND ADVANCES**

AS AT MARCH 31, 1993  
(with comparative figures for 1992)

	(\$ millions)	
	1993	1992
<b>GOVERNMENT ENTERPRISES</b>		
Communities Economic Development Fund.....	17	17
Liquor Control Commission.....	5	5
Manitoba Agricultural Credit Corporation.....	260	269
Manitoba Development Corporation.....	40	35
Manitoba Housing and Renewal Corporation.....	456	474
Manitoba Hydro-Electric Board.....	4,092	4,254
Manitoba Hazardous Waste Management Corporation.....	12	7
Manitoba Telephone System.....	809	761
Manitoba Text Book Bureau.....	4	4
Manitoba Trading Corporation.....	1	1
Manitoba Water Services Board.....	9	11
	<u>5,705</u>	<u>5,838</u>
Less: Valuation allowance	31	27
Government enterprises - net	<u>5,674</u>	<u>5,811</u>
<b>OTHER GOVERNMENTS</b>		
Agricultural service centers agreement.....	4	4
Municipal Workers Assistance Act.....	1	1
	<u>5</u>	<u>5</u>
<b>OTHER</b>		
Churchill Hydro Line Extension.....	3	4
Energy conservation loan program.....	1	2
Hudson Bay Mining and Smelting Co. Ltd.....	52	7
Information Systems Management Corporation.....	5	7
Manitoba Crop Reinsurance Account.....	45	45
Manitoba Potash Corporation.....	2	2
Regional family services agencies.....	8	4
University of Manitoba.....	14	11
Sundry.....	6	6
	<u>136</u>	<u>88</u>
Less: Valuation allowance	3	3
Other - net	<u>133</u>	<u>85</u>
<b>TOTAL LOANS AND ADVANCES</b>	<u>5,812</u>	<u>5,901</u>
Less: Sinking funds provided for repayment of applicable debt	<u>330</u>	<u>326</u>
<b>NET LOANS AND ADVANCES AFTER DEDUCTION OF SINKING FUNDS.....</b>	<u><u>5,482</u></u>	<u><u>5,575</u></u>

**GOVERNMENT OF THE PROVINCE OF MANITOBA**  
**GOVERNMENT ENTERPRISES**  
**SUMMARY OF CONSOLIDATED OPERATING RESULTS AND FINANCIAL POSITION**  
**FOR THE YEAR ENDED MARCH 31, 1993 \***  
(with comparative figures for 1992)

	(\$ millions)				RESOURCE	TOTAL	***
	UTILITIES	INSURANCE	FINANCE	DEVELOPMENT	1993	1992	
<b>RESULTS OF OPERATIONS</b>							
Revenues:							
From operations	1,367	644	582	72	2,665	2,573	
Transfers from Province	-	17	38	15	70	68	
Total revenues	<u>1,367</u>	<u>661</u>	<u>620</u>	<u>87</u>	<u>2,735</u>	<u>2,641</u>	
Expenses:							
From operations	874	666	368	56	1,964	1,858	
Transfers to Province	-	-	251	-	251	234	
Public debt	510	-	-	27	537	456	
Total expenses	<u>1,384</u>	<u>666</u>	<u>619</u>	<u>83</u>	<u>2,752</u>	<u>2,548</u>	
Net income (loss) for the year	<u>(17)</u>	<u>(5)</u>	<u>1</u>	<u>4</u>	<u>(17)</u>	<u>93</u>	
<b>FINANCIAL POSITION</b>							
Assets:							
Cash and temporary investments	25	230	35	39	329	992	
Accounts receivable	212	64	21	9	306	302	
Long-term investments	256	878	247	289	1,670	1,497	
Fixed assets	6,021	27	471	40	6,559	6,378	
Other assets	358	41	15	18	432	441	
Total assets	<u>6,872</u>	<u>1,240</u>	<u>789</u>	<u>395</u>	<u>9,296</u>	<u>9,610</u>	
Liabilities:							
Accounts payable and accrued liabilities	787	162	83	11	1,043	1,072	
Long-term debt	4,272	-	467	332	5,071	5,300	
-owing to Province	1,105	-	224	2	1,331	1,461	
-owing to others							
Provision for future benefits	367	43	2	1	413	384	
-Pension obligations **	-	1,015	-	1	1,016	954	
-Future cost of existing claims							
Total liabilities	<u>6,531</u>	<u>1,220</u>	<u>776</u>	<u>347</u>	<u>8,874</u>	<u>9,171</u>	
Net assets	341	20	13	48	422	439	
Adjustments and eliminations:							
Permanent debt/equity financing	-	-	-	(32)	(32)	(32)	
Equity in Government enterprises	<u>341</u>	<u>20</u>	<u>13</u>	<u>16</u>	<u>390</u>	<u>407</u>	

\* For Enterprises whose fiscal year is prior to March 31, the amounts reflected are as at their fiscal year end.

\*\* In addition to these obligations, there are net unrecorded pension liabilities of \$113 million (1992 - \$128 million).

\*\*\* The 1992 figures have been restated to reflect certain crown corporations as enterprises consistent with the 1993 presentation (Note 17).

## SCHEDULE V

**GOVERNMENT OF THE PROVINCE OF MANITOBA  
CONSOLIDATED OTHER LONG-TERM INVESTMENTS**

AS AT MARCH 31, 1993  
(with comparative figures for 1992)

	(\$ millions)	
	1993	1992
<b>GOVERNMENT ENTERPRISES</b>		
<b>Common Shares</b>		
Manitoba Hazardous Waste Management-25,000 shares.....	3	3
Manitoba Mineral Resources Ltd.-1,733,905 shares.....	17	17
Other.....	2	2
	<u>22</u>	<u>22</u>
<b>Preferred Shares</b>		
Leaf Rapids Town Properties Ltd.-		
26,210, 8.15% dividend, non cumulative redeemable.....	2	2
<b>Debentures</b>		
Leaf Rapids Town Properties Ltd.....	2	3
	<u>26</u>	<u>27</u>
Less: Valuation allowance	<u>7</u>	<u>7</u>
Total shares and debentures of Government enterprises - net.....	<u>19</u>	<u>20</u>
<b>OTHER INVESTMENTS AT COST</b>		
<b>Common shares</b>		
Manitoba Potash Corporation-490,000 shares.....	5	5
<b>Preferred shares</b>		
Repap Enterprises Inc.-1,216,397 shares.....	78	78
<b>Special shares</b>		
Crocus Investment Fund-2,000,000 shares.....	2	2
<b>Profit sharing agreement</b>		
Hudson Bay Mining and Smelting re: Ruttan Mine.....	11	11
	<u>96</u>	<u>96</u>
Less: Valuation allowance	<u>94</u>	<u>94</u>
Total other investments - net.....	<u>2</u>	<u>2</u>
<b>TOTAL OTHER LONG-TERM INVESTMENTS</b>	<u><u>21</u></u>	<u><u>22</u></u>

## SCHEDULE VI

**GOVERNMENT OF THE PROVINCE OF MANITOBA  
CONSOLIDATED ACCOUNTS PAYABLE,  
ACCRUED CHARGES, DEFERRED REVENUE AND DEFERRED TAXES**

AS AT MARCH 31, 1993  
(with comparative figures for 1992)

	(\$ millions)	
	1993	1992
Accounts payable.....	<u>751</u>	<u>551</u>
Accrued charges:		
Interest accrued on borrowings and trust funds.....	<u>257</u>	<u>232</u>
Other accrued liabilities:		
Criminal Injuries Compensation Board.....	24	24
Gross Revenue Insurance Plan.....	10	5
Land acquisition claims.....	1	2
Manfor Ltd. divestiture.....	7	11
Manitoba Crop Insurance Corporation.....	5	4
Manitoba Lotteries holdbacks.....	2	1
Motive fuel tax.....	1	2
Net Income Stabilization Agreement.....	1	-
Northern flood claims settlements.....	16	14
Other.....	4	3
Wages payable.....	<u>23</u>	<u>-</u>
	<u>94</u>	<u>66</u>
Deferred revenue.....	<u>12</u>	<u>5</u>
Deferred income taxes.....	<u>4</u>	<u>45</u>
	<u><u>1,118</u></u>	<u><u>899</u></u>

**SCHEDULE VII**

**GOVERNMENT OF THE PROVINCE OF MANITOBA**  
**CONSOLIDATED BORROWINGS**

AS AT MARCH 31, 1993  
(with comparative figures for 1992)

	(\$ millions)	
	1993	1992
Bonds and debentures.....	11,869	10,125
Canada Pension Plan.....	2,098	2,082
Government of Canada.....	8	150
Treasury bills.....	650	650
Bank loans.....	1	1
Preferred shares.....	-	364
Total borrowings.....	<u>14,626</u>	<u>13,372</u>
Less:		
Unamortized debt issue costs.....	52	44
Debt of the Province of Manitoba held as Provincial investments.....	<u>271</u>	<u>507</u>
	<u>323</u>	<u>551</u>
	14,303	12,821
Less:		
Sinking funds provided.....	<u>2,892</u>	<u>2,669</u>
	<u>11,411</u>	<u>10,152</u>



**GOVERNMENT OF THE PROVINCE OF MANITOBA  
NOTES TO THE SUMMARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 1993**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic accounting policies which have been applied in all material respects in the preparation of the Summary Financial Statements are summarized below. These policies have been developed and are applied in accordance with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba.

**A. THE REPORTING ENTITY**

The various funds, organizations and enterprises comprising the total Government Reporting Entity for the March 31, 1993 Summary Financial Statements are listed in Schedule I.

The financial transactions of the Government are recorded in the Consolidated Fund. The audited financial statements of the Consolidated Fund include the Operating Fund, which records the operational activities of the Government, and the Trust Fund, which records the trust administration function. These are published in Volume 1 of the Public Accounts.

The Operating Fund financial statements report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Separate financial statements are prepared for the Trust Fund which report the activities in the various categories of trust money administered by the Government, including the special funds considered to be part of the Government Reporting Entity.

In order to be considered a part of the Government's Reporting Entity, an organization must be accountable for the administration of its financial affairs and resources to a minister of the Government, or directly to the Legislature, and must be owned and/or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital. The financial operations of organizations which are not part of the Government Reporting Entity are reflected in the Summary Financial Statements only to the extent that:

1. they receive money from or pay money to the Government, or
2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or
3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

Health and educational institutions receive most of their financial resources from voted appropriations which are recorded as expenditures. The majority of these, other than those listed in Schedule I, are required to report separately on their stewardship. They are not consolidated in these financial statements.

**B. BASIS OF CONSOLIDATION**

Special funds and Crown organizations are consolidated after adjusting them to a basis consistent with the accounting policies of the Government Reporting Entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education, which remain on a gross basis as operating expenditures and revenue. Where the fiscal year-end of Crown organizations is not the same as that of the Government Reporting Entity and their transactions significantly affect the financial statements, they are restated to March 31.

Government enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They generally derive the majority of their revenue from non provincial

government sources. They are reported in these Summary Financial Statements by the modified equity method of accounting without adjusting them to a basis consistent with that of the Government Reporting Entity. The financial results of enterprises are not restated to March 31 notwithstanding that their fiscal year-end may not be the same as that of the Government Reporting Entity. Inter-entity accounts and transactions are not eliminated, nor are normal inter-entity operating transactions disclosed separately. Supplementary financial information describing the financial position and results of operations of these enterprises is presented in Schedule IV.

## **C. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE**

### **1. GROSS ACCOUNTING CONCEPT**

Revenues and expenditures are recorded in gross amounts with the following exceptions.

- a) The municipal share of individual and corporation income taxes, which is paid to municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expenditure by the Government Reporting Entity.
- b) Refunds of revenue are treated as reductions of current year revenue.
- c) Decreases in valuation allowances previously provided are treated as reductions to expenditure.
- d) Recoveries of the debt servicing costs on self-supporting debt from Government enterprises and other organizations are recorded as a reduction of public debt expenditure. The same treatment is also given to income earned on investments and advances.

### **2. MODIFIED ACCRUAL ACCOUNTING**

The revenues and expenditures of the Government Reporting Entity are recorded on an accrual basis with exceptions noted as follows:

- a) **GOVERNMENT OF CANADA RECEIPTS** - Entitlements from the Government of Canada and income taxes collected on behalf of the Province of Manitoba are recorded on a cash basis in that receipts are not accrued to the year to which they apply. However, adjustments are made until June 30 where it is determined that the Government of Canada has over or under remitted.
- b) **FEES AND OTHER REVENUE** - collections are recorded on a cash basis except for:
  - i) amounts received in April from Agents for provincially collected taxes pertaining to the year just ended which are recorded as revenue receivable;
  - ii) amounts due to the Government resulting from the divestiture of Crown organizations or Government enterprises; and
  - iii) amounts receivable from all levels of government.
- c) **SALARIES AND WAGES** - No liability or expenditure is recorded for salary and wage related benefits such as vacation earnings.
- d) **PENSION** - Some Crown organizations and Government enterprises record their liability for pension benefits. For the most part, however, the annual cost recorded by the Government Reporting Entity is its share of pensions paid to retired employees, retired contributors to the Teachers' Retirement Allowances Fund and Members of the Legislative Assembly.

The Government Reporting Entity does not fully record its liability for the annual cost of pension benefits earned by its employees, teachers and Members of the Legislative Assembly.

- e) **CAPITAL ASSETS AND INVENTORIES** - Expenditures for the acquisition and/or construction of fixed assets and the acquisition of inventories are not considered to differ from any other service to the public and accordingly are treated as an expenditure.

#### D. BASIS OF ACCOUNTING FOR ASSETS AND LIABILITIES

1. Financial assets are those on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations. Receivables only include those recorded in the determination of revenue as defined in note 1 C 2.

Liabilities are claims by other parties on the Government Reporting Entity, with the exception of deferred revenue, deferred income taxes and unamortized foreign currency fluctuation balances.

Deferred revenue consists of money received from taxation and shared cost agreements which relate to future years, as well as fees from debt transactions to be amortized over the remaining life of the debt.

Deferred income taxes are amounts calculated as being income taxes payable except that certain allowances and deductions under the Income Tax Act defer the tax liability to future periods. Manitoba Properties Inc. has recorded deferred income taxes which are available to cover future tax liabilities.

Notes 1 D 4 and 1 D 5 describe the policies in relation to amortization of foreign currency fluctuation.

2. Capital assets and inventories do not represent financial assets. Therefore they are not reported as assets at fiscal year end.
3. Loans, advances and long-term investments held by the Government Reporting Entity are subject to annual valuation.

The principal repayments and/or interest charges for some of the advances are dependent on total or partial funding from future appropriations of the Consolidated Fund. The major Government enterprises to which this applies are the Manitoba Housing and Renewal Corporation, for most of the principal and interest funding, and The Manitoba Agricultural Credit Corporation, for partial interest funding.

A valuation allowance is provided to reflect decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that have occurred in the estimated realizable value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely decreases in the valuation allowance are treated as a reduction of expenditures.

Loans, advances or long-term investments may be written-down in the accounts of the Government Reporting Entity, pursuant to authority provided under the Financial Administration Act. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year. Where an investment has been partially written-down to reflect a permanent decline in its realizable value, it is carried at its decreased value. Otherwise it is recorded at cost.

4. Investments included in cash and equivalents and the Province of Manitoba sinking fund are recorded at cost adjusted for amortization of investment premium or discount. Any premium or discount incurred at the time of purchase is amortized annually to public debt expense over the life of the investment. The investments included in the remaining sinking funds are shown at cost and do not reflect any amortization of investment premium or discount.

Investments denominated in foreign currencies are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used.

Expenses and other transaction charges incurred on the purchase of investments during the year are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

The year end investment translation adjustments reflecting the foreign exchange fluctuation are amortized annually to public debt expense over the life of the investment.



5. Borrowings, comprised of bonds, debentures and other long-term debt issued and payable in Canadian currency, are recorded at the par value of the issue. With the exception of debt issued for the purpose of financing Manitoba Hydro, discounts or premiums, as well as commissions incurred at the time of the issue of the debt, are amortized annually to public debt expense over the life of the debt. The unamortized portion is deducted from the par value of the debt.

Fees received at the time of arranging debt transactions, in respect of options or warrants, are reflected as deferred revenue and amortized annually as a credit to public debt expense over the life of the debt. The unamortized portion is included in deferred revenue.

Expenses and other transaction charges, such as legal fees, printing and registration, incurred during the year on the issue of debt are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

Borrowings issued and payable in foreign currencies are recorded at the Canadian dollar equivalent of the par value based on the exchange rate in effect at March 31, unless the rate of exchange or a fixed amount has been negotiated through a currency exchange agreement or other arrangement, in which case that rate or amount is used.

The year end translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account, and are amortized annually to public debt expense over the life of the debt issue.

Where an issue of debt in a foreign currency is called for redemption prior to maturity and refinanced with another issue of debt, the Canadian dollar equivalent cost of the original debt is translated at the exchange rate in effect at the date of redemption. The resulting unrecognized foreign currency fluctuation is recorded through the Unamortized Foreign Currency Fluctuation account and is amortized to public debt expense over the term of the first replacement issue or the remaining term of the original issue, whichever is less. However, if the remaining term of the original issue is one year or less, the fluctuation is fully expensed in the year of redemption.

On maturity, any unrecognized foreign exchange gain/loss, being the difference between the recorded par value in Canadian currency and the required payment, is reflected in public debt expense.

Proceeds of debt which are raised for the purpose of retiring a specific debt issue at a later date and which are invested for a short term are valued in accordance with the accounting policy on Borrowings. Holdings of unmatured provincial debt issues purchased on the market for cancellation are valued in accordance with the policy on investments. Both these investment categories are reflected as reductions to Borrowings.

Sinking funds are maintained in accordance with legal requirements of the debt instruments and the Financial Administration Act, and are reflected as a reduction of Borrowings.

## **E. GUARANTEED AND INDIRECT LIABILITIES**

In addition to having direct debt, the Government acts as a guarantor of securities issued by various other entities. The debt issued by Crown organizations and Government enterprises and guaranteed by the Government is largely self-supporting. Other debt for schools and hospitals, while not guaranteed by the Government, is serviced in whole or in part from appropriations of the Consolidated Fund.

Legislation requires the maintenance of sinking funds for the retirement of the debt of most Crown organizations and Government enterprises. These sinking funds are held in Trust by the Minister of Finance. The Crown organization or Government enterprise to whom the debt applies make annual contributions to the sinking fund.

Contingent liabilities that result from other financial activities of the Government Reporting Entity are reported in the notes to the Summary Financial Statements.

## 2. VALUATION ALLOWANCES

### A. GOVERNMENT ENTERPRISES - LOANS, ADVANCES AND LONG-TERM INVESTMENTS

Valuation allowances for Government enterprises are determined as follows:

#### 1. OPERATING DEFICITS

The valuation allowance is based on the financial results applicable to the most recent fiscal year completed prior to April 1. Where an assessment of the accumulated deficit indicates a prospect for recovery from future operations, the amount of the valuation allowance is adjusted accordingly.

#### 2. NON-RECOVERY OF CAPITAL INVESTMENT

A valuation allowance may be provided where there is reasonable evidence that the Province's investment will not be realized.

If the Government has more than one type of investment in an enterprise (eg. common shares, preferred shares and debentures), the valuation allowance is assigned against the investments in order of priority on liquidation.

### B. OTHER LOANS AND ADVANCES

The valuation allowance is used to provide for the estimated amounts not recoverable under a Government loan or support program. The valuation allowance for doubtful accounts that has been established for that loan or support program is recorded by means of a valuation allowance placed against the loan or advance used to fund the program. Increases to the valuation allowance are recorded as expenditure regardless of the timing of the write-off of the uncollectible accounts, such write-off being applied directly to the valuation allowance.

### C. OTHER LONG-TERM INVESTMENTS

The valuation allowance is used to record losses that are other than temporary declines in the value of the investments. The valuation allowance is based on an annual valuation of the investment.

## 3. EQUITY IN GOVERNMENT ENTERPRISES

A Summary of Consolidated Operating Results and Financial Position for Government enterprises is displayed in Schedule IV. The composition of the four categories is described in Schedule I. The category definitions are as follows:

#### Utilities:

Enterprises which provide public utility services to the public for a fee.

#### Insurance:

Enterprises which provide insurance coverage services to the public for a fee.

#### Finance:

Enterprises which provide regulatory control and are revenue generating, or enterprises which use economy of scale to deliver goods and services to non-Government clients.

#### Resource Development:

Enterprises charged with the development of various industries and /or the delivery of various goods and services which will assist the Provincial economy.

Equity in Government enterprises is comprised of:

	(\$ millions)	
	1993	1992
<b>Restricted Equity (Deficit) in Government enterprises:</b>		
Manitoba Telephone System	183	177
Manitoba Hydro	159	183
Manitoba Public Insurance Corporation	29	49
Manitoba Crop Insurance Corporation	56	55
Manitoba Water Services Board	1	1
Workers Compensation Board	(78)	(89)
	350	376
<b>Non-restricted Equity (Deficit) in Government enterprises:</b>		
Manitoba Mineral Resources Ltd.	18	16
Manitoba Lotteries Foundation	16	16
Other - net	6	(1)
	40	31
<b>Equity in Government Enterprises</b>	<b>390</b>	<b>407</b>

Included in the Equity in Government enterprises are net assets, which are restricted for use and thereby not available to discharge Government liabilities or to finance other Government programs, and restricted deficits, which are not the responsibility of the Consolidated Fund.

#### 4. TRUST FUNDS

Included in the Consolidated Statement of Financial Position is an amount owing to the Trust Fund which primarily represents surplus cash of Government enterprises and other amounts on deposit with the Minister of Finance for investment but not specifically invested. Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest. Also included are trusts established and maintained by Crown organizations which have been consolidated in these Summary Financial Statements.

The assets and liabilities of the combined Trust Funds as at March 31st are as follows:

	(\$ millions)	
	1993	1992
<b>ASSETS</b>		
Amounts due from Operating Fund	620	1295
Cash and investments	807	838
<b>Total Trust Assets</b>	<b>1,427</b>	<b>2,133</b>
<b>LIABILITIES</b>		
Trust Funds held by Consolidated Fund		
- Government enterprises	1,152	1,857
- Other	226	231
Trust Funds held by Crown organizations	49	45
<b>Total Trust Liabilities</b>	<b>1,427</b>	<b>2,133</b>

In addition to the above Trust Funds, the Government Reporting Entity holds cash and securities for which its responsibility is custodial in nature. The custodial trust amount reported at March 31, 1993 was \$100 million (1992-\$778 million), including estates and trusts under the administration of the Public Trustee of Manitoba. Shares and other items held by the Government Reporting Entity are not valued for inclusion in the custodial trust funds.

## 5. BORROWINGS

A summary of borrowings for the Operating Fund and Crown organizations is displayed in Schedule VII. All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered into for settlement after the fiscal year-end.

Money is allocated annually to sinking funds on the following basis:

- A. a sum equal to 3% of the aggregate amount of debt related to general government programs, in Canadian dollars converted at the date of issue, outstanding at the end of the preceding fiscal year;
- B. all earnings derived from investing the sinking fund; and
- C. all principal repayments of advances are allocated to the sinking fund and will be utilized to retire the related outstanding debt as such debt matures.

In addition, three Government enterprises, the Manitoba Housing and Renewal Corporation, the Manitoba Hydro-Electric Board and the Manitoba Telephone System have established sinking funds for the orderly retirement of their debt. Each makes annual contributions based on 1% of debt and Provincial advances outstanding at the preceding fiscal year end plus 4% of the sinking fund balance at the end of the preceding fiscal year.

## 6. UNAMORTIZED FOREIGN CURRENCY FLUCTUATION

This balance represents the unamortized portion of unrealized foreign currency gains or losses on the conversion of the assets and liabilities of the Government to Canadian dollars at March 31. It also includes the unamortized portion of realized foreign currency gains or losses on the conversion of the foreign currency debt called prior to maturity using the rates in effect at the time of the call.

## 7. CONSOLIDATED NET EXPENDITURE

The consolidated net expenditure is attributed to the following:

	(\$ millions)	
	1993	1992
Fully consolidated basis:		
Operating fund	566	334
Special funds	121	(41)
Crown organizations	(35)	7
Net expenditure	652	300
Modified equity basis		
Change in equity in Government enterprises	17	(93)
Consolidated net expenditure	669	207

## 8. SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.



The estimates of expenditure provide an annual appropriation in the Operating Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

The principal repayments related to these debentures are as follows:

due in	1994	1995	(\$ millions) 1996	1997	1998	1999-2003	TOTAL
	12	12	12	11	9	22	78

## 9. GUARANTEED AND INDIRECT LIABILITIES

The following comprises debt which was issued by Crown organizations not consolidated herein and by Government enterprises and which is guaranteed by the Government as at March 31st:

	(\$ millions)	
	1993	1992
Debt of Provincial utilities, cities and towns	1,121	1,295
Debt serviced in whole or in part from the Consolidated Fund	4	5
Manitoba Grow Bonds	1	-
	1,126	1,300
Less: Applicable sinking funds	148	179
	978	1,121

## 10. FINANCIAL COMMITMENTS

The Government Reporting Entity has approved long-term financial arrangements wherein indebtedness has been issued that is not guaranteed by the Government, but the funds required for the payment of principal and interest will be either fully or partially provided from the Operating Fund. The Government Reporting Entity has also made future commitments under long-term contracts that cover the acquisition and/or rental of physical assets. These financial commitments as at March 31st are as follows:

	(\$ millions)	
	1993	1992
<b>LONG-TERM FINANCIAL ARRANGEMENTS:</b>		
Hospitals and personal care homes	611	528
Public schools	326	317
Manitoba Housing and Renewal Corporation	224	227
Repap Pulp and Paper Inc. (Divestiture of Manfor Ltd.)	150	150
Brandon University	2	2
Manitoba Water Services Board	1	2
	1,314	1,226

LONG-TERM FINANCIAL ARRANGEMENTS (carried forward)			1,314	1,226
	Government Enterprises	Other		
FUTURE COMMITMENTS:				
Acquisition of physical assets	160	185	345	390
Rental of physical assets	28	81	109	115
Housing construction and approved mortgages	42	-	42	38
	230	266	496	543
			1,810	1,769

In addition to the approved outstanding debt for hospitals and personal care homes, lines of credit up to \$88.2 million (1992-\$172.5 million) have been approved to finance capital projects currently in process. On completion of these projects, the borrowings will be converted to long-term debt.

## 11. CONTINGENCIES

The Government Reporting Entity has contingent liabilities for the following:

		(\$ millions)	
	Maximum	Amount Outstanding 1993	1992
Operating Fund			
Mortgages	1	1	1
Promissory notes	530	185	7
Bank loans and lines of credit	32	17	20
Gross Revenue Insurance Plan (a)		28	38
		231	66
Crown Organizations			
Guaranteed operating loans		1	-
		1	-
Government Enterprises			
Mortgages		15	16
Guaranteed operating loans		6	5
Performance bonds (c)	30	26	22
Crop Reinsurance Fund (d)		16	24
		63	67
		295	133

### (a) Gross Revenue Insurance Plan (GRIP)

The Province of Manitoba is party to the GRIP agreement dated September 17, 1991 with the Government of Canada. This agreement will terminate March 31, 1996 unless terminated earlier in accordance with the terms of the agreement. Manitoba Crop Insurance Corporation administers GRIP for the Province. At March 31, 1993 the results were as follows:

	(\$ millions)	
	1993	1992
Revenue: Premiums from insureds and interest	68	57
Premiums - Government of Canada contribution	83	115
Premiums - Manitoba Agriculture contribution	50	49
	201	221
Expenditure	174	330
Excess of revenue over (under) expenditure	27	(109)
Shortfall at March 31, 1992	(109)	-
Shortfall at March 31, 1993	(82)	(109)

The Governments of Manitoba and Canada are responsible for providing advances to fund shortfalls on a 35:65 basis. Accordingly, the Consolidated Fund is responsible for \$28 million (1992 - \$38 million) of the March 31, 1993 shortfall. The Province has provided for \$10 million of this shortfall in its accounts as at March 31, 1993. Repayment of advances will depend on future premiums exceeding future claims.

(b) Hudson Bay Mining and Smelting Company (HBMS)

The Government is party to an agreement with the HBMS in relation to the Ruttan Mine whereby, upon closure, it is committed to paying environmental clean-up costs, certain Hydro charges and the municipal tax liability in excess of the limit set as HBMS's share. Estimates of the Government's potential liability range from \$0 to \$6 million.

(c) Flyer Industries Ltd.

The Government has provided a guarantee to the purchaser of Flyer Industries Ltd. for an amount up to \$30 million covering all of the obligations of Manitoba Development Corporation arising out of the sale of Flyer Industries Ltd. including performance bonds on contracts for the supply of buses to various transit organizations.

(d) Crop Reinsurance Fund

In accordance with the terms of a reinsurance agreement between the Province, the Government of Canada and the Manitoba Crop Insurance Corporation (MCIC), the two governments maintain separate reinsurance funds in relation to the crop insurance program. Where MCIC indemnities are in excess of funds available, advances are made to MCIC from the reinsurance funds. MCIC is then committed to repaying the reinsurance funds from future years' premiums, and to that end premiums are adjusted annually, using an actuarial projection covering the ensuing 25 years, to ensure that sufficient funds will be available. As at March 31, 1993, the Reinsurance Fund of Manitoba is in a negative position of \$16 million (1992 - \$24 million).

(e) Winnipeg Jets Hockey Team

The Province of Manitoba entered into an agreement in August 1992, designed to ensure that the Winnipeg Jets Hockey Team would remain in Winnipeg for the foreseeable future. The agreement contains conditions which create some contingent liabilities for the Province. The Province is liable for 50% of cumulative operating losses, should there be any, and 50% of management fees under certain conditions. As at March 31, 1993, the Province had no liability in relation to either component.

(f) Litigation

The Government of the Province of Manitoba has been named in various legal actions of which two are of potential significance at March 31, 1993:

**Mitigation Commitments:**

The Province of Manitoba is party to an agreement dated December 16, 1977 with the Government of Canada, Manitoba Hydro and the Northern Flood Committee Inc., which includes compensation and mitigation for the impact of the Churchill River Diversion and Lake Winnipeg Regulation project. Eighty-one claims in which the Province is named as a respondent have been filed with the Arbitrator. Thirty-nine have been satisfied or have

interim settlements and forty-two have yet to be determined at March 31, 1993. The Province's contingent liability is estimated to be in excess of \$25 million.

Manitoba Hydro is named as a respondent in approximately one hundred and forty-seven claims filed with the Arbitrator; eighty have been negotiated, six required a decision of the Arbitrator and the remaining sixty-one claims are still active.

Further claims against the Government have been made related to the development of the Grand Rapids Hydro Project. The cost, if any, cannot be determined because the outcome of these actions is uncertain. In addition, Manitoba Hydro is contingently liable for approximately \$17 million relating to electrical service enhancement projects in northern Manitoba.

#### **Canadian National Railways (CNR):**

The CNR has requested a declaration that the Retail Sales Tax Act does not apply to railway stock and repair costs, or in the alternative, if it does, that the legislation is ultra vires. CNR is requesting a refund of Sales Tax it has paid in relation to the goods and services in question.

No provision has been made at March 31, 1993 in the accounts of the Province as the final results are uncertain.

## **12. PENSION LIABILITY**

The Government Reporting Entity is required by legislation to pay 50% of the pension disbursements made to retired employees and to retired contributors to the Teachers' Retirement Allowances Fund. Such payments are charged to operations as incurred and, for the most part, no provision is made to fund current or past service obligations of the Government Reporting Entity to the Civil Service Superannuation Fund or to the Teachers' Retirement Allowances Fund. The reserves which are presently held in these Funds mainly represent only the employees' obligation towards the total pension liability, except as described in the following paragraph.

Certain amendments to the Civil Service Superannuation Act were made in 1992 which required that the Civil Service Superannuation Fund establish and fund a separate account in an amount sufficient to cover the Province's actuarial costs of the 1992 amendments to the Act. The Civil Service Superannuation Fund account maintained on behalf of the Province at March 31, 1993 was \$8 million.

An actuarial valuation and report of the liability to each of the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund was determined as at December 31, 1989. The reports also provided a formula to update the liability on an annual basis.

In addition, the Government is required to pay all of the pension disbursements made to retired Members of the Legislative Assembly (MLA's) in accordance with the Legislative Assembly Act. Members' contributions, as deducted from their remuneration, are treated as revenue of the Government. An actuarial valuation at December 31, 1991 determined the Government's liability to be \$24 million. This pension is fully indexed to cost of living increases. The report did not include a formula to update the liability annually.

The unrecorded pension liability for the Government and Crown organizations is as follows:

	(\$ millions)	
	1993	1992
Civil Service Superannuation Fund:		
Operating Fund - non indexed	615	536
- indexation reserve	60	52
Crown organizations - indexed	11	38
M.L.A.'s - indexed (as at December 31, 1991)	24	24
Teachers' Retirement Allowances Fund		
- non indexed	864	779
- indexation reserve	72	66
<b>TOTAL</b>	<b>1,646</b>	<b>1,495</b>



The non-indexed figures for the Operating Fund portion of the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund have been calculated in accordance with the actuary's formula and do not include a provision for future indexation. However, both Funds provide for annual indexing on the condition that the adjustment does not create an actuarial unfunded liability. The indexation reserve shown above, is equal to the employees' portion as reported in each of the above pension funds' financial statements as at December 31, 1992.

The Government enterprises have a net unrecorded pension liability of \$113 million (1992 - \$128 million) on an indexed basis.

### 13. LEGISLATIVE AUTHORITY FOR EXPENDITURE (APPROPRIATION ACTS)

- A. The following voted appropriation of the Government was placed in a net overexpended position as a result of decisions to accrue liabilities which had not been quantified until after March 31, 1993:

Northern Affairs XIX-3

Northern Development and Co-ordination

\$537,420

- B. One voted appropriation of the Government ended the fiscal year in a net overexpended position because the program involved processed expenditures in excess of the amounts recovered from Departments. This program provides a central service to other Government Departments and, as authorized by the Appropriation Act, incurred expenditures on behalf of Departments in anticipation of recoveries. Because the recoveries did not materialize prior to the close of the fiscal year, the following net overexpenditure was incurred:

Appropriation XVII-1 Civil Service Commission

in the Department of the Civil Service Commission

\$10,514

- C. There were 7 appropriations of the Government that had late accounts paid in the 1993-94 fiscal year which were in excess of the balance remaining in the appropriations by \$200,000 at March 31, 1993. These late accounts paid subsequent to 45 days after year end are excluded from March 31, 1993 liabilities by the existing accounting policy. These late accounts result in non-compliance with appropriation limits established for the respective programs.

### 14. CHANGES IN ACCOUNTING POLICY

It is the Government Reporting Entity's practice to prospectively reflect the effects of changes in accounting policy on prior years in the Excess of Liabilities over Assets. Prior year balances are therefore not restated. The following changes are disclosed in accordance with Section 10 of the Financial Administration Act.

#### A. Salaries and Wages

Prior to 1992-93, salaries and wages were recorded as expenditures in the year in which they were paid. A change was made for the 1992-93 fiscal year where the liabilities for salaries and wages earned but not paid at the year end is accrued at March 31, 1993. The effect of this change at March 31, 1993 is an increase to the accumulated deficit of \$20 million, an increase to the current year expenditures of \$3 million and an increase to accrued liabilities of \$23 million.

#### B. Accrual for Day Care Program

Prior to 1992-93, payments to day care centres were recorded on a cash basis. Payments are now being accounted for on an accrual basis. The effect of this change at March 31, 1993 is an increase to the accumulated deficit of \$2 million, no change to the current year expenditures and an increase to accrued liabilities of \$2 million.

### 15. FEDERAL FISCAL STABILIZATION CLAIM

The Province received \$30 million for the 1992-93 fiscal year from the federal government as an interim payment because of a decline in year-over-year revenues. While the exact amount of a final settlement has not yet been determined, the Province may receive an additional amount of up to \$37 million.

## 16. SUBSEQUENT EVENTS

Information received from the federal government in October, 1993 indicates significant negative adjustments to 1993-94 Equalization revenues relating to entitlements for the 1992-93 and 1993-94 fiscal years. The 1992-93 adjustment is \$109 million before consideration of potential offsets and entitlements. The Province's 1993-94 revenue will be adjusted in accordance with the policies followed by the Province in accounting for such re-estimates of prior year entitlements.

## 17. COMPARATIVE FIGURES

Certain of the 1992 financial statement figures have been restated to be consistent with the 1993 presentation.

In the preparation of the Summary Financial Statements, the audited financial statements of each organization are not always available for the current year and unaudited figures are used. In the subsequent year, this information is restated, for comparative purposes, to reflect the audited results. There were no significant changes which resulted from this process.

As well, the 1992 figures may be adjusted to reflect any restatements that organizations have made to audited financial statements. There were no significant changes which resulted from this process.

Certain of the Government enterprises, as noted on Schedule I, had been previously accounted for in the Summary Financial Statements as Crown organizations. In addition, two Crown organizations and a special fund were added to the Government Reporting Entity for the year ended March 31, 1993. The 1992 figures have been restated to be consistent with the presentation adopted in 1993. The restatement resulted in a decrease in the excess of liabilities over assets balance at March 31, 1992 of \$452 million (1991 - \$454 million) and an increase in the consolidated net expenditure for the year ended March 31, 1992 of \$2 million from \$205 million to \$207 million. This net decrease primarily relates to the difference in accounting treatment for recording physical assets. For Crown organizations, which are fully consolidated, acquisitions of physical assets are treated as expenditure and charged to the excess of liabilities over assets. For Government enterprises, which are accounted for on a modified equity basis, acquisitions of physical assets are not expensed in the year of acquisition.



University of Alberta Library



0 1620 0749 0855

B 12730